

**BOARD OF EQUALIZATION****BUSINESS TAXES COMMITTEE MEETING MINUTES**

HONORABLE BETTY T. YEE, COMMITTEE CHAIR

450 N STREET, SACRAMENTO

MEETING DATE: NOVEMBER 16, 2010, TIME: 10:00 A.M.

ACTION ITEMS & STATUS REPORT ITEMS**Agenda Item No: 1****Title: Classifying Wine-Based Products for Taxation Purposes****Issue/Topic:**

Approval sought to begin an interested parties process to discuss the need for rulemaking to clarify the alcoholic beverage tax treatment for wine-based products containing distilled alcohol.

Committee Discussion:

Staff explained the need for clarification and guidance to industry regarding the taxation of wine-based products. Staff requested that the Board send the issue to the interested parties process for further discussion and possible action. Mr. Bruce Nissen from the Crispin Cider Company expressed interest in the issue and its implication for the cider industry.

The Board Members discussed the need for rulemaking with Ms. Yee speaking in favor of clarifying the definition of wine in regulations. Ms. Steel and Ms. Alby expressed opposition to staff's proposal indicating that the distilled spirits regulations, approved in 2007, did not solve the problems faced by industry. Ms. Steel expressed her view that the prior regulations and staff's proposal add complexity not present in the federal statutes and place additional burdens on industry, which will likely choose to reformulate its products to avoid the tax implications associated with taxing the products as distilled spirits.

Committee Action/Recommendation/Direction:

Upon motion by Ms. Yee, seconded by Mr. Horton, the matter was referred to the Business Taxes Committee on an expedited process with an interested parties meeting held prior to the end of the calendar year and the issue brought to the Business Taxes Committee at the February 2011 meeting of the Board.

The vote was as follows:

MEMBER	Yee	Alby	Steel	Horton	Mandel
VOTE	Y	N	N	Y	Y

/s/ Betty T. Yee

Honorable Betty T. Yee, Committee Chair

/s/ Kristine Cazadd

Kristine Cazadd, Interim Executive Director

BOARD APPROVED

at the November 18, 2010 Board Meeting

/s/ Diane Olson

Diane Olson, Chief

Board Proceedings Division